FOR THE YEAR ENDED DECEMBER 31.

Sil

AGNICO MINES LTD.

ANNUAL REPORT 1968

AGNICO MINES LIMITED

(Incorporated under the laws of the Province of Ontario)

Executive and Head Office	Suite 1101, 365 Bay Street Toronto, Ontario
Mine Office	Cobalt, Ontario
Directors	ARCHIE BASEN SAMUEL GELLER WILLIAM L. HOGARTH, Jr. MILTON KLYMAN PAUL PENNA NORMAN B. SHERIFF JOHN J. VORBACH, Jr.
Officers	NORMAN B. SHERIFF, *President* PAUL PENNA, *Vice-President and Managing Director* JEAN GELLER, *Secretary-Treasurer*
Mine Manager	GORDON W. KIRK
Transfer Agent and Registrar	Guaranty Trust Company of Canada Toronto, Ontario
Auditors	Starkman, Kraft, Rothman, Berger & Grill Chartered Accountants, Toronto, Ontario
Bankers	Canadian Imperial Bank of Commerce Toronto, Ontario (City Hall Branch)
Shares Listed	Toronto Stock Exchange, Toronto, Ontario Canadian Stock Exchange, Montreal, Quebec
Annual Meeting	June 24, 1969, 10:15 in the forenoon (Toronto Time) Library, Royal York Hotel, 100 Front Street West, Toronto, Ontario

DIRECTORS' REPORT

To the Shareholders:

The Directors are pleased to submit the audited financial statements of the Company for the year ended December 31, 1968, and also the report of the Mine Manager which provides details of mine operations, development and exploration results for this period. The following is a review of these reports.

Financial

Gross value of metals produced during the year amounted to $1,259,104 compared with $1,244,624 the previous year, and the operating profit from mine operations, which includes custom milling and royalty income, totalled $339,233 compared to $363,480 in 1967.

Additional income, representing the profit from the sale of investments, amounted to $6,122. The corresponding amount for 1967 was $30,690.

Net income after deductions for non-cash write-offs was $179,888 compared to $218,760 in the previous year. Included in the deductions for 1967 was an amount of $26,878, representing a write-off for outside exploration. There was no corresponding write off during 1968.

Deferred development expenditures, less amortization, amounted to $198,538 compared to $73,388 in 1967. The increase in this category in 1968 was principally a reflection of the costs incurred in the rehabilitation, shaft deepening and underground development work at the "96 Shaft" property.

Production

Although output of both silver and cobalt was below the total for 1967, gross value of metal production was moderately ahead owing to higher prices received for silver, averaging $2.16 per ounce during 1968, compared with the average received during the previous year of $1.86 per ounce. World silver prices during the early part of 1969 have tended toward lower levels, substantially attributed to the absence of speculators in the market.

The Agnico 407 property was the principal source of production in 1968, accounting for 433,070 ounces of the total 583,126 ounces, produced. Since the commencement of mining at this unit early in 1965 to the end of March, 1969, approximately 2.3 million ounces of silver have been recovered.

Development Work

Details of the exploration and development work at the 407 property are contained in the Mine Manager's report. The principal production stopes and the potential areas now under development are shown on the appended composite plan of the underground workings of this property. Currently four stopes are being worked, two of which are yielding good grade ore while the other two are producing lower grade. Ore production from these stopes is being supplemented by development headings driven in ore.

The "96 Shaft" property is the major new production unit with substantial tonnage of ore anticipated during 1969. As mentioned in the 1967 Annual Report, diamond drilling on this property indicated six ore bearing veins both above and below the then bottom level at 150 feet. Rehabilitation of the shaft timber and installation of a new headframe and hoisting facilities commenced early in 1968 in preparation for the deepening of the shaft to approximately 470 feet, establishing three new levels at 275, 360 and 450 foot horizons. These are designated as the fourth, fifth and sixth levels, respectively. The third level is at the 150 foot horizon.

A composite plan of the underground workings in the "96 Shaft" area is also appended to this report, showing the lateral development advance to early March, 1969. Drifting is now proceeding on the fourth, fifth and sixth levels and diamond drilling is in progress on the third level. Drifting on the fourth level has opened up a silver vein of above mine average grade for a length to date of some 250 feet. Stoping operations are being carried out on the sixth level. This new production unit is now supplying a moderate tonnage of mill feed which will be progressively increased during this year.

Exploration

Diamond drilling is being carried out on the Company's "Penn Canadian" property which is adjacent to the south of the 407 property. Access to the mine is gained from the Glen Lake Silver Mines' shaft as the underground workings of the two mines are connected. Diamond drilling to date has outlined a small ore zone and further work will be carried out to enable a decision whether to open up this zone for development and mining.

A two-year lease has been taken on a six claim group in South Lorrain Township, approximately 30 miles south of Cobalt. This property is adjacent to the east of your Company's Wetlauffer and Curry properties, and bordered on the north by the Canadian Keeley Mine. The latter operated briefly from 1964-65 during which 204,206 ounces of silver were recovered prior to shutdown.

This leased property has a shaft to a depth of 350 feet and a winze extending a further 500 feet in depth. A headframe has been erected and the shaft timber repaired down to the water line approximately 80 feet below the collar. A frame building to house the electric hoist and air compressor has been erected and work is being continued on the installation of electric power equipment. It is planned to dewater this mine as soon as electrical connections can be made preparatory to a program of underground diamond drilling to test the unexplored area of this property and the adjacent properties owned by your Company.

Tailings Reclamation Division

As noted in the Mine Manager's report, the tailings operation was only moderately successful due to problems experienced with the pumping of tailings to the mill. The presence of foreign material, such as clay and decomposed timber also resulted in a reduction of the average grade and in the extraction efficiency. In view of these problems a decision was made to excavate by dragline and use truck haulage to transport the tailings material to the mill. Modifications and improvements were also made in the flowsheet and it is expected that a more efficient and profitable operation will result and that the operating season can be extended. Operations are scheduled to commence before the end of May, 1969.

Eagle Gold Mines Limited

Your Company's investment in the acquisition of a block of 200,000 shares of Eagle Gold Mines Limited during 1967 at a cost of approximately $265,000 has subsequently unfolded as a major asset. At recent market quotations ($7.40 per share on May 15, 1969), your Company's holdings in Eagle Gold Mines Limited had a value of close to $1.5 million.

Sinking of the three compartment shaft on the Joutel Area property of Eagle Gold Mines Limited was completed to a depth of 1,860 feet during July of 1968. Twelve level stations were cut at 150 foot intervals down to the 1,800 foot horizon and development work is now in progress on six levels from the 750 to the 1,500 foot horizons.

As previously reported, surface diamond drilling indicated ore reserves estimated at 1,600,000 tons averaging 0.41 ounce of gold per ton across a width of 13.1 feet between the approximate 300 foot horizon down to the then maximum tested depth of 1,500 feet. Alternatively, using a lower cut-off grade and including some lower grade ore, the surface drill indicated reserves were estimated at 2,240,000 tons averaging 0.345 ounce of gold per ton. Both estimates include a 15% allowance for dilution.

Although the present underground development is not sufficiently advanced to permit a recalculation of estimated grade and tonnage, current underground results indicate a probable substantial increase in tonnage with a moderate reduction in grade. Significant extensions to the gold-bearing zone have been indicated on the three levels which to date have been driven beyond the outline of the ore zone defined by earlier surface diamond drilling.

Of particular interest is the area east of the gabbro dike where the drift on the 1,200 foot level has indicated by diamond drilling two ore lenses totalling 275 feet in length and grading 0.305 ounce of gold per ton. This gold-bearing zone east of the gabbro dike represents an entirely new area never included in previous ore estimates. The vertical continuity of this new zone will be initially tested by drives on the 1,050 and 1,350 foot levels.

Excavation work is now in progress at the minesite in preparation for the foundation work for the mill building complex scheduled for this summer with production planned to commence early in 1970. Present engineering envisages a milling plant with an initial capacity of 800 tons per day. This planned treatment rate may be varied based upon the results of the continuing underground development work.

General

In addition to the above mentioned shareholding in Eagle Gold Mines Limited, your Company's investments include a block of 1,500 shares of Falconbridge Nickel Mines Limited, the market value of which has appreciated from $107.50 at the end of 1968 to a current quotation of around $134.00 per share.

The capable work of the technical personnel and mine employees, and the continued loyal support of the shareholders is gratefully acknowledged by the Directors.

On behalf of the Board of Directors,

"PAUL PENNA"
Managing Director

May 15, 1969

BALANCE SHEET *as at December 31, 1968*

(With comparative figures as at December 31, 1967)

ASSETS

CURRENT ASSETS:
Cash
Smelter settlements outstanding, at estimated net realizable value
Concentrates on hand, at estimated net realizable value
Marketable securities, at lower of cost or market (market value 1968 — $168,480; 1967 — $57,500)
Accounts receivable
Supplies, at average cost
Prepaid expenses

OTHER ASSETS:
Special refundable tax
Service deposits

INVESTMENTS:
Shares of Eagle Gold Mines Limited, at cost (market value 1968 — $1,490,000; 1967 — $478,000)
Shares of wholly owned subsidiary companies, at nominal value (Note 1)

FIXED ASSETS:
Buildings, machinery and equipment (Note 2)
Less: Accumulated depreciation

Mining properties (Note 3)

DEFERRED DEVELOPMENT EXPENDITURES, less amortization

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:
Bank loan, secured
Accounts payable and accrued liabilities
Royalty income received in advance

SHAREHOLDERS' EQUITY:

Capital Stock
Authorized — 5,000,000 shares, par value $1 each
Issued and Fully Paid — 3,434,327 shares
Less: Discount thereon

DEFICIT

The accompanying notes to financial statements form an integral part of these statements.

AGNICO MINES LIMITED

(Incorporated under the laws of the Province of Ontario)

1968	1967
$ 47,150	$ 21,182
402,612	496,692
71,581	61,924
155,909	27,010
19,962	6,871
28,154	24,848
41,287	26,981
$ 766,655	$ 665,508
$ 4,405	$ 5,716
6,825	21,136
$ 11,230	$ 26,852
$ 265,160	$ 265,160
2	2
$ 265,162	$ 265,162
$2,097,153	$2,006,185
1,741,317	1,615,746
$ 355,836	$ 390,439
341,061	341,061
$ 696,897	$ 731,500
$ 198,538	$ 73,388
$1,938,482	$1,762,410
$ 50,000	$ —
76,261	125,077
—	5,000
$ 126,261	$ 130,077
$3,434,327	$3,434,327
1,053,650	1,053,650
$2,380,677	$2,380,677
568,456	748,344
$1,812,221	$1,632,333
$1,938,482	$1,762,410

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Agnico Mines Limited as at December 31, 1968 and the statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1968 and the results of its operations and the source and application of its funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

STARKMAN, KRAFT, ROTHMAN, BERGER & GRILL,
Chartered Accountants.

Toronto, Ontario,
February 14, 1969.

Approved on behalf of the Board of Directors:

PAUL PENNA, Director.

NORMAN B. SHERIFF, Director.

AGNICO MINES LIMITED

STATEMENT OF INCOME

For the year ended December 31, 1968

(With comparative figures for the year ended December 31, 1967)

	1968	1967
REVENUE:		
Production of metals	$1,259,104	$1,244,624
Less: Marketing expenses	79,302	83,008
	$1,179,802	$1,161,616
Custom milling	50,823	6,953
Royalty income	48,817	18,435
	$1,279,442	$1,187,004
OPERATING EXPENSES:		
Mining and development	$ 502,467	$ 514,502
Milling	355,392	242,830
Transportation of ore	37,566	26,219
Administration	58,497	54,374
	$ 953,922	$ 837,925
Less: Sundry income	13,713	14,401
	$ 940,209	$ 823,524
INCOME BEFORE UNDERNOTED ITEMS	$ 339,233	$ 363,480
Profit on sale of securities	6,122	30,690
	$ 345,355	$ 394,170
DEPRECIATION:		
Tailings mill	$ 92,374	$ 81,503
Other	33,734	27,670
Amortization of deferred development	39,359	39,359
Outside exploration	—	26,878
	$ 165,467	$ 175,410
NET INCOME FOR THE YEAR (Note 4)	$ 179,888	$ 218,760

STATEMENT OF DEFICIT

For the year ended December 31, 1968

(With comparative figures for the year ended December 31, 1967)

	1968	1967
BALANCE, beginning of year	$ 748,344	$ 967,104
Net income for the year	179,888	218,760
BALANCE, end of year	$ 568,456	$ 748,344

AGNICO MINES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended December 31, 1968

(With comparative figures for the year ended December 31, 1967)

	1968	1967
SOURCE OF FUNDS:		
Operations:		
Net income for the year	$ 179,888	$ 218,760
Add: Items not involving a current outlay of funds		
Depreciation		
Tailings mill	92,374	81,503
Other	33,734	27,670
Amortization of deferred development expenditures	39,359	39,359
	$ 345,355	$ 367,292
Refund of deposits	14,311	950
Special refundable tax	1,311	—
Disposal of fixed assets	2,800	605
	$ 363,777	$ 368,847
APPLICATION OF FUNDS:		
Investment in shares of Eagle Gold Mines Limited	$ —	$ 265,160
Additions to fixed assets	94,305	47,149
Special refundable tax	—	1,814
Deferred development expenditures	164,509	34,028
Mining properties	—	12,500
	$ 258,814	$ 360,651
Increase in Working Capital	$ 104,963	$ 8,196
Working Capital, beginning of year	535,431	527,235
Working Capital, end of year	$ 640,394	$ 535,431

AGNICO MINES LIMITED

NOTES TO FINANCIAL STATEMENTS
December 31, 1968

1. SUBSIDIARY COMPANIES:
   The accounts of the subsidiaries, Cobalt Properties Limited and Medusa Mines Limited, have not been consolidated herein because the companies are inactive.

2. BUILDINGS, MACHINERY AND EQUIPMENT:
   Buildings, machinery and equipment are valued on the basis of an appraisal made by Dominion Appraisal Company Limited on May 8, 1953, with subsequent additions at cost.

3. MINING PROPERTIES:
   Mining properties acquired at the time of incorporation of the company are carried at a nominal value of $1. Subsequent additions are at cost.

4. INCOME TAXES:
   No provision for income taxes is required because of deductions available for tax purposes.

5. COMPARATIVE FIGURES:
   Certain 1967 figures have been reclassified to conform with the presentation adopted for 1968.

6. OTHER STATUTORY INFORMATION:
   Aggregate direct remuneration of directors and senior officers (as defined by The Corporations Act) is $62,809.

MANAGER'S REPORT

The President and Directors,
Agnico Mines Limited,
Suite 1101 — 365 Bay Street,
TORONTO 1, Ontario.

March 12, 1969.

Gentlemen:

I am pleased to submit the following report covering the operation of Agnico Mines Limited for the year ended December 31st, 1968.

PRODUCTION

Production during the year was provided by 407 Shaft and tailings reclamation. The combined production totalled 583,126 ounces of silver which was down slightly from 1967, however, revenue was higher due to an increase in the price of silver.

Custom milling in January and February provided an additional source of revenue.

The following is a comparative summary of the main production items:

	1968	1967
Ounces silver produced	583,126	668,921
Pounds cobalt produced	52,800	59,819
Gross value of metals sold	$1,259,104	$1,244,624
Gross value per ounce of contained silver	$2.16	$1.86
PENN MILL		
Total tons milled from company properties	33,384	37,315
Custom ore milled	12,181	1,545
Total tons milled	45,565	38,860
Total tons hoisted	36,408	39,096
Calculated head ounces silver/ton	14.36	13.67
Recovery ounces silver/ton	13.12	12.82
Extraction efficiency	91.36%	93.78%
TAILINGS MILL		
Total tons tailings milled	81,530	70,395
Calculated head ounces silver/ton	2.81	3.78
Recovery ounces silver/ton	1.78	2.71
Extraction efficiency	63.35%	71.69%

EXPLORATION AND DEVELOPMENT

407 SHAFT — Three separate ore zones are being developed. Two of these development headings are veins branching off former productive veins on the third level. The third heading is a sublevel above the fourth level 400 feet east of the main productive workings where diamond drilling has indicated two cobalt-silver veins assaying 80.0 ounces over 3.8 feet and 43.0 ounces over 5.0 feet as indicated on the accompanying map.

Short range drilling has intersected small veins of limited dimensions which have been the main source of ore.

Most of the favourable ground within easy drilling range has been explored by an extensive diamond drill programme. However, there still remains an area for long-range drilling east of 4403 crosscut on the fourth level.

96 SHAFT — Diamond drilling from the third (150′) level of the shaft indicated silver veins below this horizon in cobalt sediments.

The shaft was deepened to establish three new levels at 275′, 360′, and 450′ horizons for the purpose of developing the ore zones and to establish drilling stations for further exploration of the deeper horizons.

By the end of the year, crosscutting had been started on the fourth (275′) level. Currently a raise is being driven on a cobalt-silver vein on the fourth level and a drift on the sixth (450′) level has entered the silver zone outlined by previous drilling from the third (150′) level mentioned above.

The ore zones to be developed will provide a substantial tonnage of ore in 1969.

PENN CANADIAN PROPERTY — A diamond drill programme is being carried out on this property which is located adjacent to, and to the south of the 407 property.

Access to the mine is gained through the Glen Lake Mine shaft since the underground workings of the two mines are connected.

Diamond drilling from underground has revealed three small pockets of silver in three different structures which are not considered ore at this time. Drilling from the 407 property into the Penn Canadian has indicated the possibility of an ore zone 400 feet south of the fourth (445′) level crosscut face.

Further drilling is warranted on the indicated ore zones and on virgin ground to the east of the present workings.

The following is a tabulation of this exploration and development:

	1968 Footage	Unit Cost	1967 Footage	Unit Cost
Crosscutting & Drifting	2,309.5	$33.25	2,749.4	$27.88
Raising	867.7	25.65	971.5	18.56
U/G Diamond Drilling	42,489	3.66	51,466	3.46
Surface Diamond Drilling	—	—	6,860	4.96

FUTURE EXPLORATION AND DEVELOPMENT

TROUT LAKE #2 SHAFT — A lease was obtained from Ramardo Mines Limited on six claims located in South Lorrain Township, District of Temiskaming, approximately 30 miles south of Cobalt. The claims are bordered on the north by Canadian Keeley Mine and on the east by Agnico's Wetlauffer and Curry properties.

The property has a shaft to a depth of 350 feet and from this bottom level, a winze extends another 500 feet in depth.

The winze levels contain cobalt-silver veins which were not mined at the time the mine first closed in 1929.

The mine was activated in 1954 when it was dewatered with the object of assessing its cobalt mineral potential. Three diamond drill holes were drilled at this time, revealing two possible new silver vein structures. Due to lack of funds, it was closed down the same year.

Work has been started on the installation of a surface plant required to dewater the workings in order that an extensive diamond drill programme can be carried out on the unexplored ground of this property and of the adjacent properties owned by Agnico Mines.

TAILINGS RECLAMATION PROJECT

This project had only a moderately successful operating season from June to October as problems were experienced with the pumping of tailings to the mill. Plans for the coming year are to increase the tonnage by using truck haulage. This should result in a more efficient and profitable operation over a longer operating season.

GENERAL

SPECIAL EXPENDITURES IN 1968 WERE:

96 SHAFT —

A winze was raised to surface by 75 feet and deepened by 218 feet. A headframe, ore bin, dry building and hoist house were constructed.

TROUT LAKE #2 SHAFT —

A headframe, work shop and ¾ mile power line were constructed.

I wish to extend my appreciation to the Board of Directors, staff and employees for their cooperation and assistance throughout the year.

Respectfully submitted,

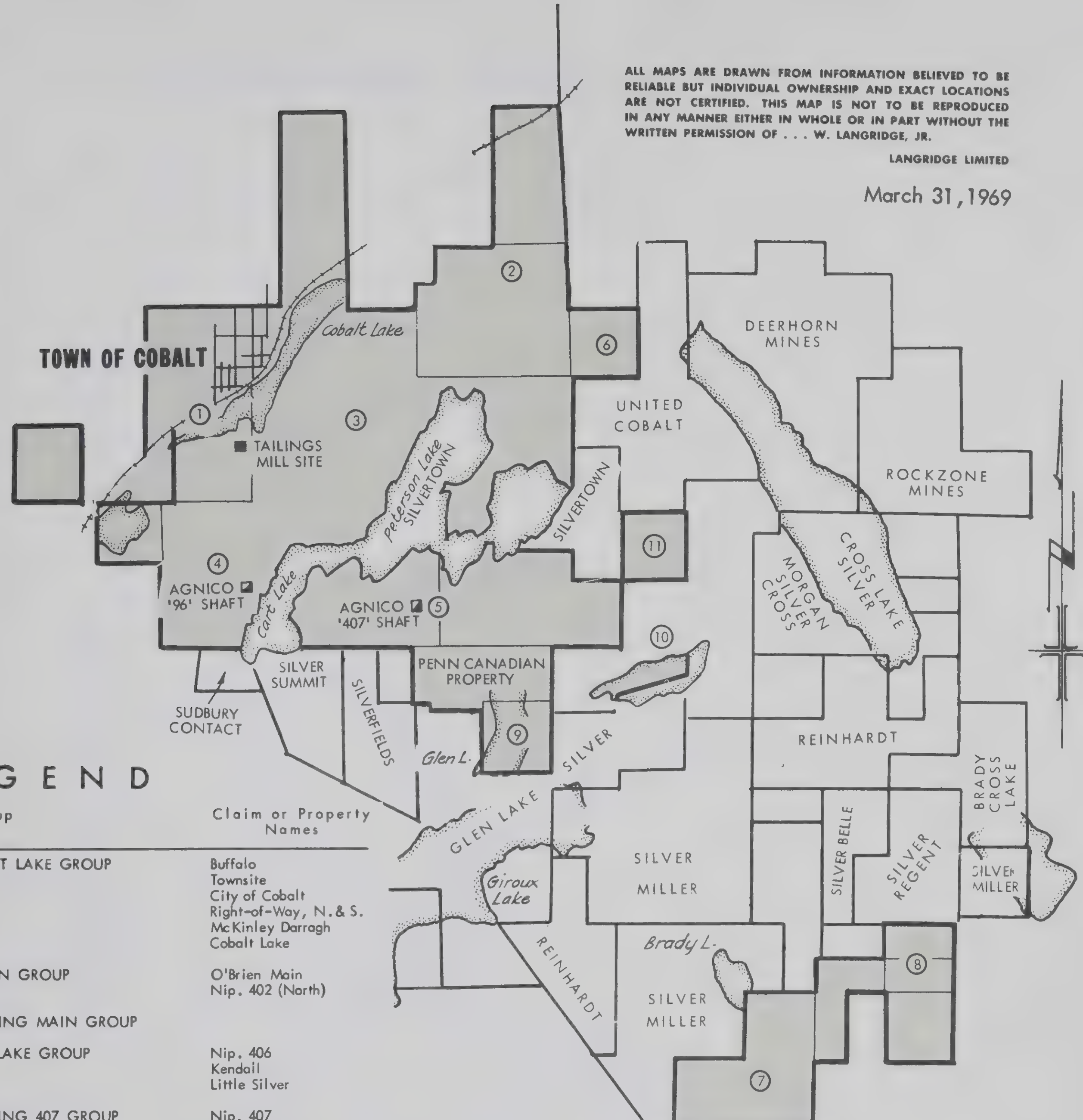
AGNICO MINES LIMITED,

G. W. KIRK,
Manager.

ALL MAPS ARE DRAWN FROM INFORMATION BELIEVED TO BE RELIABLE BUT INDIVIDUAL OWNERSHIP AND EXACT LOCATIONS ARE NOT CERTIFIED. THIS MAP IS NOT TO BE REPRODUCED IN ANY MANNER EITHER IN WHOLE OR IN PART WITHOUT THE WRITTEN PERMISSION OF . . . W. LANGRIDGE, JR.

LANGRIDGE LIMITED

March 31, 1969



L E G E N D

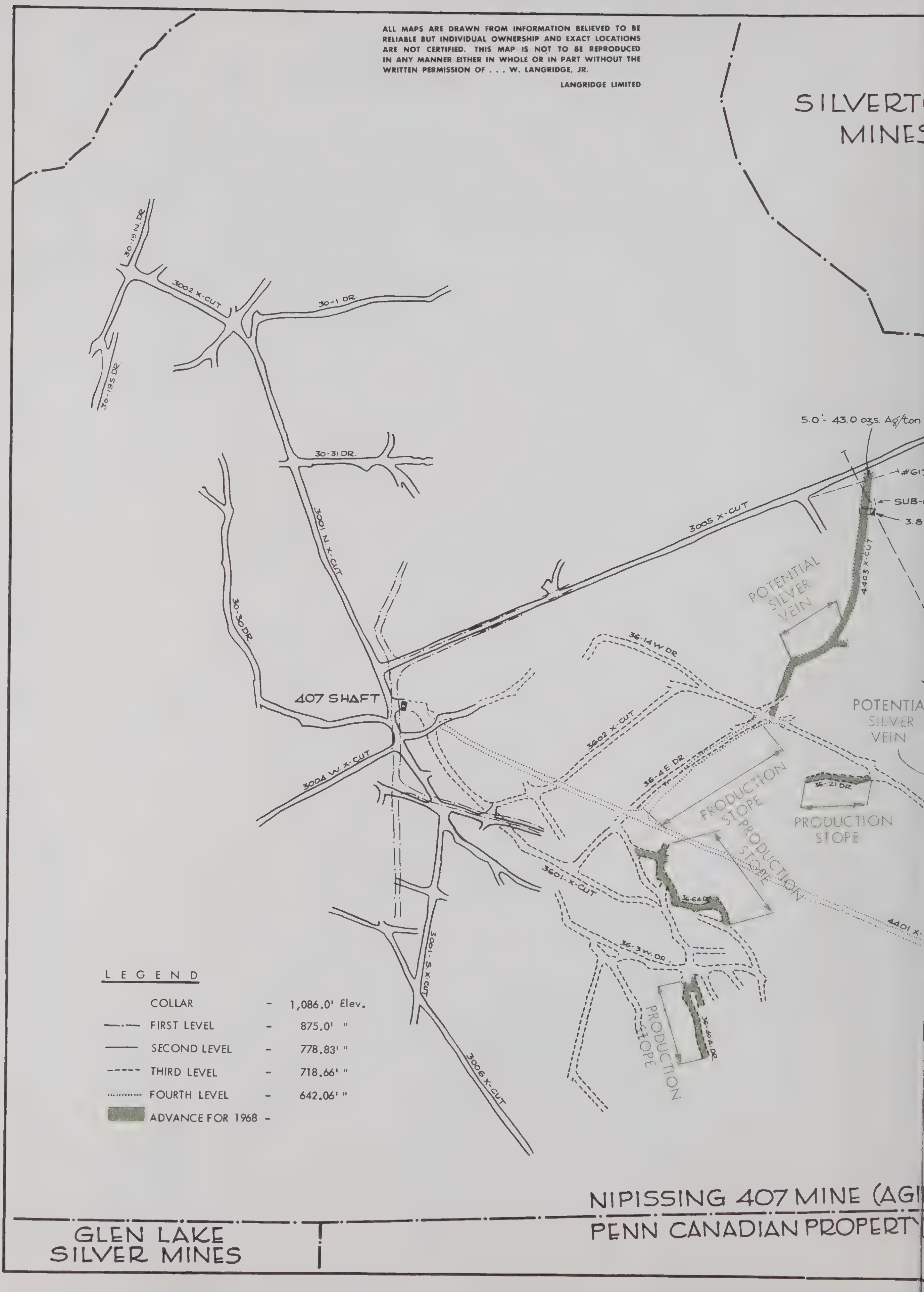
No. Group	Claim or Property Names
1. COBALT LAKE GROUP	Buffalo Townsite City of Cobalt Right-of-Way, N.& S. McKinley Darragh Cobalt Lake
2. O'BRIEN GROUP	O'Brien Main Nip. 402 (North)
3. NIPISSING MAIN GROUP	
4. CART LAKE GROUP	Nip. 406 Kendall Little Silver
5. NIPISSING 407 GROUP	Nip. 407 Nip. 408 Penn Canadian Michigan Cobalt
6. NIPISSING EAST GROUP	Nipissing East Claims O'Brien East Claims Colonial
7. LODE-CHRISTOPHER GROUP	Adanac Columbus
8. BEAVER TEMISKAMING GROUP	Temiskaming Gifford Quaker City
9. FOSTER	Mill Site
10. CROWN RESERVE	
11. FARAH	
12. AGAUNICO GROUP (Not shown on map)	Agaunico Ruethel
13. DOTSEE "	Yorkshire Cobalt
14. GILGREER "	Canadian Lorraine
15. KEYLODE "	Currie Wettlauffer

AGNICO MINES LIMITED

HOLDINGS in the COBALT SILVER AREA

O N T A R I O

0 1 mile



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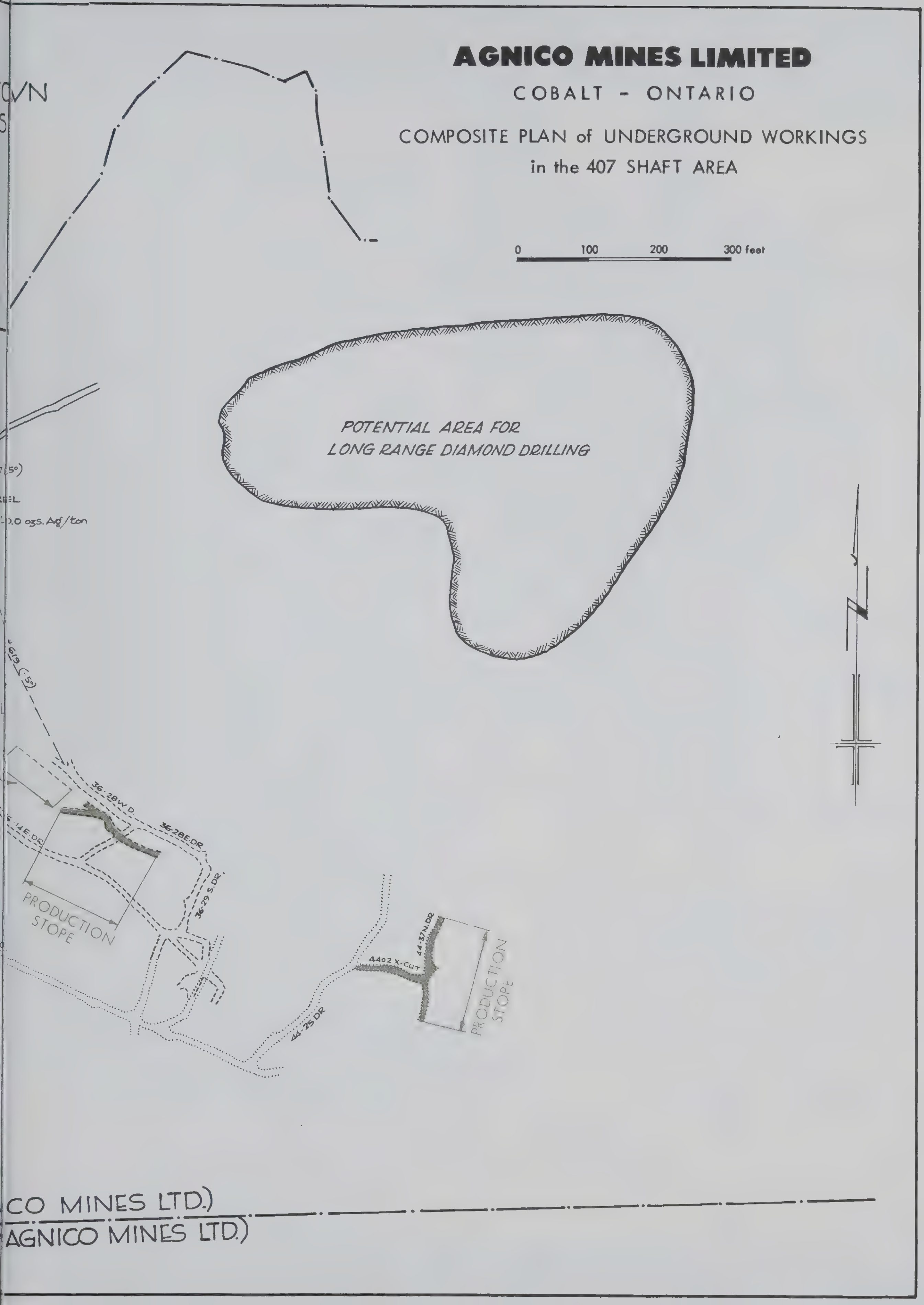
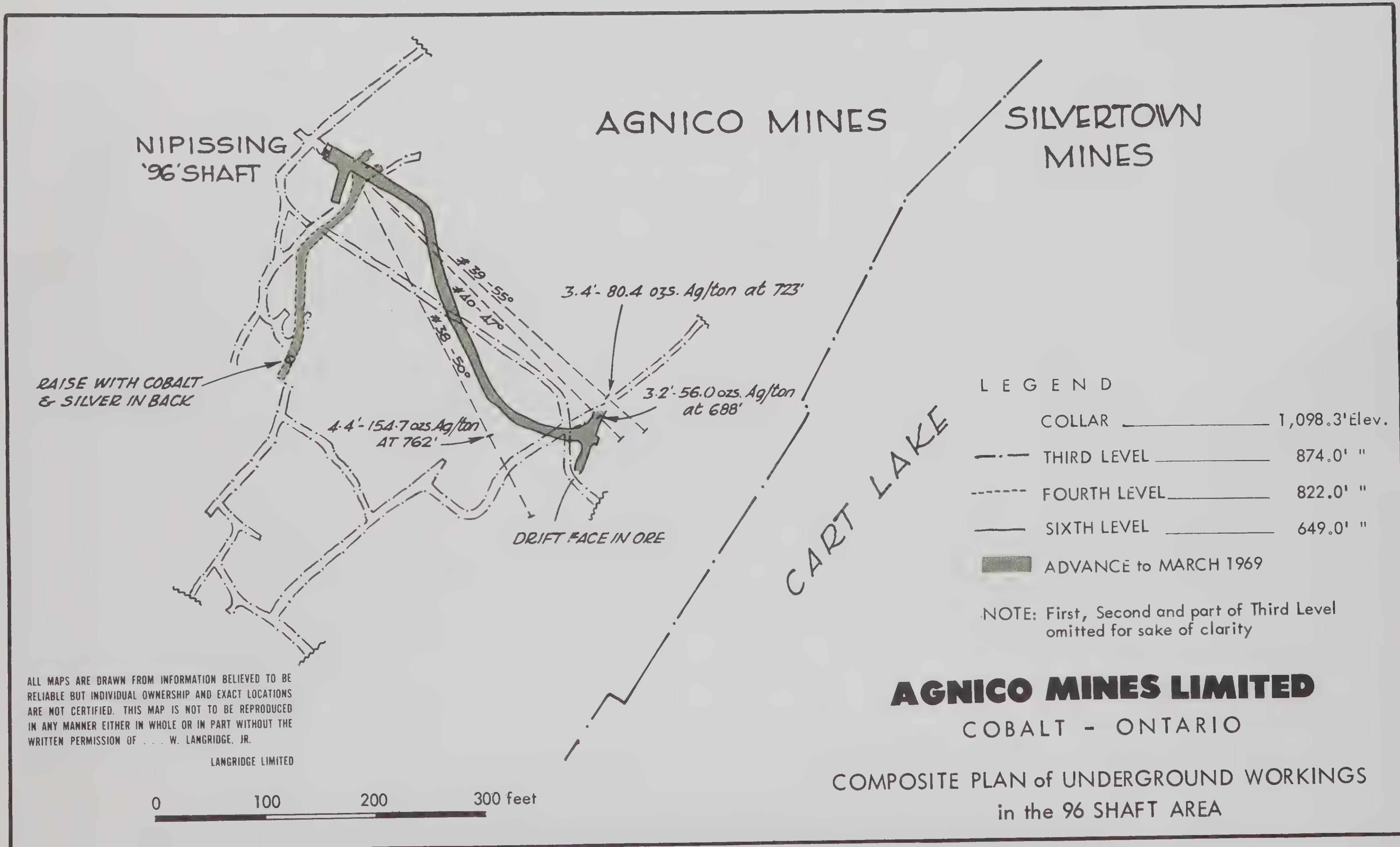
LANGRIDGE LIMITED
SILVERT
MINES
30-19 N. DR.
3002 X-CUT
30-1 DR.
30-195 DR.
30-31 DR.
3001 N. X-CUT
30-30 DR.
3005 X-CUT
5.0'- 43.0 ozs. Ag/ton
SUB-
3.8
4403 X-CUT
POTENTIAL SILVER VEIN
36-14 W DR
407 SHAFT
3602 X-CUT
POTENTIA SILVER VEIN
3004 W. X-CUT
36-4 E. DR.
PRODUCTION STOPE
36-21 DR
PRODUCTION STOPE
PRODUCTION STOPE
3601-X-CUT
36-6A DR
4401 X-
36-3 W. DR
PRODUCTION STOPE
36-6A DR
3001-S X-CUT
3006 X-CUT
LEGEND
COLLAR - 1,086.0' Elev.
FIRST LEVEL - 875.0' "
SECOND LEVEL - 778.83' "
THIRD LEVEL - 718.66' "
FOURTH LEVEL - 642.06' "
ADVANCE FOR 1968 -
NIPISSING 407 MINE (AG
PENN CANADIAN PROPERTY
GLEN LAKE SILVER MINES


AGNICO MINES LIMITED
COBALT - ONTARIO
COMPOSITE PLAN of UNDERGROUND WORKINGS
in the 407 SHAFT AREA
0 100 200 300 feet
POTENTIAL AREA FOR
LONG RANGE DIAMOND DRILLING
36-28 W.D.
36-28E DR.
36-29 S.DR.
PRODUCTION
STOPE
4402 X-CUT
44-37N.DR.
44-25 DR
PRODUCTION
STOPE
CO MINES LTD.)
AGNICO MINES LTD.)



NIPISSING
'96' SHAFT
AGNICO MINES
SILVERTOWN
MINES
CART LAKE
#39 - 55°
#40 - 47°
#38 - 50°
3.4' - 80.4 ozs. Ag/ton at 723'
3.2' - 56.0 ozs. Ag/ton
at 688'
4.4' - 154.7 ozs. Ag/ton
AT 762'
RAISE WITH COBALT
& SILVER IN BACK
DRIFT FACE IN ORE
LEGEND
COLLAR 1,098.3' Elev.
THIRD LEVEL 874.0' "
FOURTH LEVEL 822.0' "
SIXTH LEVEL 649.0' "
ADVANCE to MARCH 1969
NOTE: First, Second and part of Third Level omitted for sake of clarity
AGNICO MINES LIMITED
COBALT - ONTARIO
COMPOSITE PLAN of UNDERGROUND WORKINGS
in the 96 SHAFT AREA
ALL MAPS ARE DRAWN FROM INFORMATION BELIEVED TO BE RELIABLE BUT INDIVIDUAL OWNERSHIP AND EXACT LOCATIONS ARE NOT CERTIFIED. THIS MAP IS NOT TO BE REPRODUCED IN ANY MANNER EITHER IN WHOLE OR IN PART WITHOUT THE WRITTEN PERMISSION OF . . . W. LANGRIDGE, JR.
LANGRIDGE LIMITED
0
100
200
300 feet

AR05

AGNICO MINES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE SIX MONTHS ENDED JUNE 30, 1968

(With comparative figures for the six months ended June 30, 1967)

	1968	1967
FUNDS MADE AVAILABLE BY OPERATIONS		
Net income for period ...	$ 141,161	$ 16,338
EXPENSES WHICH DO NOT INVOLVE AN OUTLAY OF FUNDS		
Depreciation	57,250	13,290
Amortization of deferred development expenditures	19,680	19,680
Reduction in Power Contract Deposits	500	—
	$ 218,591	$ 49,308
FUNDS APPLIED		
Additions to fixed assets ..	$ 50,896	$ 35,361
Deferred expenditures ...	44,114	13,005
	$ 95,010	$ 48,366
INCREASE IN WORKING CAPITAL	$ 123,581	$ 942
Working capital at beginning of period	800,589	519,504
Working capital at end of period	$ 924,170	$ 520,446
Current Assets	$1,121,309	$ 673,445
Current Liabilities	197,139	152,999
	$ 924,170	$ 520,446

2 lines

AGNICO MINES LTD.

Toronto

Semi-Annual Report

For the Period Ended June 30, 1968

Printed in Canada.

AGNICO MINES LIMITED

To the Shareholders:

Your Directors are pleased to report the operating results for the six months ended June 30, 1968. A condensed statement of income for this period and comparative figures for the corresponding six month period in 1967, together with the statement of source and application of funds, is attached.

Operations

Tonnage milled during the six months ended June 30, 1968, totalled 33,959 tons which includes 12,545 tons treated in the tailings reclamation plant in June. In addition, 12,181 tons were processed on a custom milling basis, substantially during the period from the first of the year to February 22nd. Mill production was below capacity rates during April and May due to a transformer breakdown in the main substation.

It is noted, however, that higher prices received for silver resulted in an increase in metal revenue even though metal production was below that for the corresponding period last year. This is a continuation of the planned treatment of lower grade ore to take advantage of the increase in the price of silver with a resultant increase in the ultimate volume of ore that can be economically recovered at these higher silver prices.

Development of the 44-37 vein at the southeast end of the 407 Property continues favorably with initial production obtained from this new stope during May. A raise was driven to test the vein 50 feet above the level at which point it was still in good mine ore grade. The 44-4 stope has also been appreciably extended by sub-drifting to the north and south. Currently, ore is being drawn from six stopes and stockpiled for treatment in the Penn mill after the seasonal shutdown of the tailings retreatment plant during the winter.

Routine exploratory and development diamond drilling is continuing on the 407 Property and an exploratory diamond drilling program is scheduled for the company owned Penn Canadian property adjacent to the south of the 407 during the current year.

The tailings retreatment plant is operating successfully and profitably although tonnage throughput is below capacity due in large part to the necessity of treating certain proportions of slimes containing silver which underlie the tailings in some areas. This has the temporary effect of reducing the average head grade but increases the ultimate recovery of silver.

New Production Unit

The '96' Property west of Cart Lake where exploratory operations were initiated in mid-1967, is scheduled to commence production before the end of this year. Earlier diamond drilling indicated six silver veins both above and below the existing 150 ft. level and while the full dimensions of these veins have not yet been defined, results to date indicate that a profitable operation at prevailing silver prices will be established here.

The shaft has been raised to surface from the former tunnel level and headframe erected together with the ore bin and shaft house. All necessary hoisting and mining equipment is now being installed and rehabilitation of the shaft is now in progress preparatory to deepening the shaft to a depth of 240 feet below the present bottom level at 150 feet. Three new levels will be established to further explore and develop the new veins located in the drilling program.

The '96' Shaft Property is expected to be an important source of additional ore feed when it is brought into production this year.

General

The company continues to hold a block of 200,000 shares of Eagle Gold Mines Limited acquired for investment purposes at a cost of $260,000. At recent market prices this shareholding has a quoted value of approximately $1 million.

On behalf of the Board of Directors,

"PAUL PENNA"
Managing Director

26 August 1968

AGNICO MI

STATEMENT
(Subject to
FOR SIX MONTHS
(With comparative figures for

Tons of Ore Treated
Silver — ozs.
Cobalt — lbs.
Copper — lbs.
Nickel — lbs.
Gross value of metal production
Deduct marketing expenses
Custom milling
Royalty income
Operating Expenses
Mining and development
Milling
Transportation of ore
Administration
Less sundry income
Operating profit
Profit on sale of securities
Depreciation
Tailings mill
Other
Amortization of deferred development
Outside exploration
NET INCOME FOR PERIOD

(a) Includes 12,545 tons treated during June in tailings

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)F INCOME

nal audit)

IDED JUNE 30, 1968

months ended June 30, 1967)

		Six Months Ended June 30th 1968	1967
	(a)	33,959	28,839
		271,737	332,369
		23,887	26,584
		12,466	12,890
		7,362	7,652
		$ 637,065	$ 504,413
		37,601	37,078
		$ 599,464	$ 467,335
		68,807	—
		14,375	3,890
		$ 682,646	$ 471,225
		272,909	260,757
		148,279	81,472
		27,907	12,221
		31,337	34,315
		$ 480,432	$ 388,765
		1,535	10,356
		$ 478,897	$ 378,409
		$ 203,749	$ 92,816
		14,342	- - - -
		$ 218,091	$ 92,816
		$ 44,750	- - - -
		12,500	13,290
		19,680	19,680
		- - - -	43,508
		$ 76,930	$ 76,478
		$ 141,161	$ 16,338

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AGNICO MINES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE SIX MONTHS ENDED JUNE 30, 1968

(With comparative figures for the six months ended June 30, 1967)

	1968	1967
FUNDS MADE AVAILABLE BY OPERATIONS		
Net income for period	$ 141,161	$ 16,338
EXPENSES WHICH DO NOT INVOLVE AN OUTLAY OF FUNDS		
Depreciation	57,250	13,290
Amortization of deferred development expenditures	19,680	19,680
Reduction in Power Contract Deposits	500	—
	$ 218,591	$ 49,308
FUNDS APPLIED		
Additions to fixed assets	$ 50,896	$ 35,361
Deferred expenditures	44,114	13,005
	$ 95,010	$ 48,366
INCREASE IN WORKING CAPITAL	$ 123,581	$ 942
Working capital at beginning of period	800,589	519,504
Working capital at end of period	$ 924,170	$ 520,446
Current Assets	$1,121,309	$ 673,445
Current Liabilities	197,139	152,999
	$ 924,170	$ 520,446

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AGNICO MINES LTD.

Toronto

Semi-Annual Report

For the Period Ended June 30, 1968

Printed in Canada.